

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0410-01
Bill No.: HB 335
Subject: Taxation and Revenue - Property Taxation and Revenue - Sales and Use Political Subdivisions
Type: Original
Date: February 22, 2011

Bill Summary: Would allow political subdivisions to replace any personal property taxes levied with a sales tax, or with an additional tax on real property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on General Revenue Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State**, the **Department of Revenue**, the **City of Raytown**, and the **Parkway School District** assume this proposal would have no fiscal impact for their organization.

Officials from the **Department of Elementary and Secondary Education** (DESE) assume there would not be an increase in costs to DESE or to the school foundation formula because of this proposal. The local tax amount in the local effort calculation of the formula is not an actual amount collected and is based primarily on 2003-04 and 2004-05 data. The local effort calculation is impacted by a decrease in the assessed valuation. The assessed valuation would not be eliminated in this proposal.

DESE officials also stated that in most school districts, but especially smaller districts, it would take a substantial sales tax to replace personal property tax revenue. This could present a real problem for businesses, especially if surrounding areas did not implement a sales tax.

Officials from **St. Louis County** assume this proposal would result in the loss of the one percent of local government property tax collections that are currently retained by the county. County officials estimated this loss at \$180,000 per year.

Officials from the **City of St. Robert** stated that their organization had already repealed the personal property tax in 2010; however, city officials did not provide an estimate of the fiscal impact of that tax replacement.

Officials from the **Special School District of St. Louis County** stated that the proposal would not likely have a fiscal impact on their organization.

Oversight notes that this proposal would allow local governments to replace the tax levied on personal property in their jurisdiction with a sales tax, or with an additional tax on real property. The sales tax or real property tax rate increase would be limited to the amount required to replace the repealed personal property tax and any replacement tax would be effective only upon voter approval. The proposal includes provisions allowing the Department of Revenue to collect the sales tax on behalf of the local government and to retain one percent of the sales tax collected for deposit to the state General Revenue Fund.

ASSUMPTION (continued)

Oversight also notes that the local governments would be required to have an election to implement the sales tax or increased real property tax rate; the cost of the election would vary depending on whether a special election was called or if the election was held in conjunction with a general election where virtually all the cost is paid by the state.

Oversight assumes that most local governments choosing to replace a personal property tax would do so with a sales tax, but that some local governments would choose a replacement tax on real property. The replacement tax on real property would be revenue-neutral for local governments other than counties, and for counties with respect to commission withholding, and would have no fiscal impact to the state. A replacement sales tax would have a negative fiscal impact to counties for lost commissions, and a positive fiscal impact to the state for collection charges.

For fiscal note purposes, Oversight will indicate a cost from \$0 to Unknown for elections, a revenue reduction from \$0 to Unknown to counties for reduced commission withholding, and additional revenue from \$0 to Unknown for the state due to the one percent Department of Revenue collection charge. Oversight assumes the replacement sales tax would be revenue-neutral to local governments other than counties and would be revenue-neutral to the local government implementing the sales tax, after the state collection charge.

Oversight assumes that elections could be held beginning in September 2011 if the proposal is approved by the General Assembly and the Governor, and that sales tax collections could begin in January 2012 (FY 2012). Reductions in property taxes levied would first be implemented for 2012 and collected in December 2012 (FY 2013).

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Additional Revenue - Department of Revenue collection charges</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL GOVERNMENTS			
<u>Local governments</u> - election costs	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
<u>Counties</u> - reduced property tax commissions	<u>\$0</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
ESTIMATED NET EFFECT TO LOCAL GOVERNMENTS	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which could have a lower personal property tax obligation.

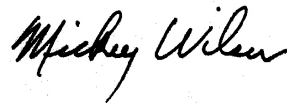
FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Department of Elementary and Secondary Education
Department of Revenue
St. Louis County
City of Raytown
City of St. Robert
Parkway School District
Special School District of St. Louis County

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, stylized 'M' and 'W'.

Mickey Wilson, CPA
Director
February 22, 2011